
Foundations short-change rural areas:

Examining foundation rural giving

By Kirke Wilson, RCAC board member

As the economy slowly crawls toward a recovery, nonprofit organizations that serve rural areas persist in their continual search for available, appropriate funding and naturally turn to foundations for help. Here, Kirke Wilson, Rural Community Assistance Corporation board of directors member and former Rosenberg Foundation president, gives an overview of the history of foundation giving to rural areas, factors that impede such foundation giving, groups of foundation members that have made rural giving a priority and other significant aspects of the issue. He then suggests next steps. Wilson's article, "It's not who you know — but who knows you: An introduction to foundation grants" in the January 2010 issue of this publication, was well received. This new article advances the discussion.

Organizations that serve small towns and rural areas are accustomed to receiving foundation letters with a “no” reply in response to their funding requests. The letters vary, but the underlying message is the same. Whatever the rural organization is proposing is not something the foundation wants to support. The explanation may be based on the foundation's priorities or limited resources, but the result is the same — rural areas are left out.

Along with government grants, private contributions and earned income, foundation grants provide vital support for a wide range of institutions and organizations, including universities, hospitals, museums and social service agencies. In 2008, foundations distributed nearly \$47 billion in grants for charitable programs and services. While the total amount of foundation giving has decreased somewhat due to the

downturn in the economy, the total amount of giving remains significant.¹

Despite the growth of urban and suburban areas, rural America remains a significant part of the nation and was home to 50 million people in 2008. Using the Census definition that rural is whatever is left over after metropolitan areas are defined, 16.5 percent of the nation's population lived in the 2,051 counties the Census Bureau designated as nonmetropolitan. The rural population is growing in size (it was 45 million in 1990) but declining as a proportion of the national population (from 20 percent in 1980 and 18 percent in 1990). Rural poverty rates and particularly the rates of poverty among rural children consistently exceed those in metropolitan areas.²

1 The Foundation Center estimates that total foundation giving declined 8.4 percent in 2009 to \$42.9 billion.

2 U.S. Department of Agriculture, Economic Research Service, United States Fact Sheet, Population, Income, Education and Employment, 2009.

There is little dispute about foundations' relative neglect of rural America. One indication of foundation involvement in rural America is the number of foundations that include rural

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issues among their stated program interests. The most recent edition of the Foundation Directory describes the 10,000 largest foundations in the United States, accounting for 86 percent of all foundation

assets and 89 percent of all foundation giving. Of the 10,000 foundations listed, only 36 identify "rural development" as a program interest.³ Other foundations, defining their interests by program area (such as child care, education, health services and job training), also may make grants in rural areas.

In recent years, foundation leaders and critics have repeatedly confirmed the pattern of rural neglect. The National Committee for Responsive Philanthropy (NCRP), a monitoring and advocacy organization, found that 184 of the 65,000 active foundations in the United States reported grants for "rural development" in 2001 and 2002 and that only 304 used the word "rural" in grant descriptions. NCRP also documented the existence of a "rural divide" in which predominantly rural states have the fewest foundations and receive the lowest grant dollars per capita. NCRP also found that rural grant-making is extremely concentrated with two large foundations (W. K. Kellogg and Ford) accounting for 42 percent of all rural development granting and just 20 foundations accounting for 79 percent⁴. In a report prepared for Atlantic Philanthropies, the Bridgespan Group summarized the funding situation for organizations serving rural America:

The scarcity of funding for rural nonprofits means that these organizations — with

3 David Jacobs, ed., *The Foundation Directory*, 31st edition (New York, Foundation Center, 2009), p. 2751. In addition to the 36 foundations interested in rural development, 39 express interest in agriculture, 26 in agriculture and food and 85 in Native Americans.

4 Rick Cohen with John Barkhamer, *Beyond City Limits: The Philanthropic Needs of Rural America* (Washington, D.C., National Committee for Responsive Philanthropy, 2004), pp. 5-10.

fewer resources to begin with — must work harder to obtain the money they need to serve rural communities.⁵

It wasn't always like this

A hundred years ago, major foundations in the United States found rural areas and small towns to be fertile ground for creative grant-making. Leading foundations of that era supported multi-year grant programs addressing fundamental issues of health, education and economic development in small towns and rural areas. Much of this philanthropic activity was focused on the rural South and was motivated by the unfinished work of reconstruction after the Civil War, but some was part of a deliberate strategy to include rural areas in broader programs of social improvement.

The best national example of small town grant-making was the library program administered by Andrew Carnegie and one of the many foundations he created. Between 1886 and 1919, Carnegie and his foundation contributed to construction of 1,689 public libraries in the United States, including 1,015 located in towns with populations of 7,500 or less. Smaller communities, because they presumably would need smaller libraries, received smaller grants, but the program requirements did not exclude rural areas or place them at a competitive disadvantage.⁶

The General Education Board, one of the philanthropies formed by Standard Oil tycoon John D. Rockefeller, supported programs strengthening education and economic development in rural areas of the South. Between 1906 and 1914, the General Education Board allocated nearly \$1 million for demonstration projects and technical assistance to improve agricultural production in 10 southern states. Grants supported "demonstration agents" which were the model for the agricultural extension agents created by federal law in 1914. As part of the effort to create greater economic self-sufficiency in the rural South, the General Education Board grants supported "corn clubs" for boys (later expanded to pigs,

5 Barry Newstead and Pat Wu, "Nonprofits in Rural America: Overcoming the Resource Gap", Bridgespan Group, July 2009.

6 Theodore Jones, *Carnegie Libraries Across America* (New York, John Wiley & Sons, 1997), pp. 103, 127-128.

poultry and cattle) and canning and poultry clubs for girls. By 1913, these youth programs were operating in rural areas of 15 southern states. The programs demonstrated their effectiveness and

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became the model for 4-H throughout the nation. At the same time, the General Education Board also paid the salaries of rural school consultants in 12 states.⁷

Between 1917 and 1932, the Rosenwald Fund, established by Julius Rosenwald of Sears Roebuck, awarded 5,300 grants to build public schools for African American students in rural areas of 13 southern states. The Rosenwald Fund also made grants to train teachers for rural schools and for conferences, and to conduct research on Black poverty and farm tenancy.⁸ The Commonwealth Fund, created by the Harkness family of Standard Oil, initiated a national child health demonstration program in 1922. The program included pediatric clinics, guidance for parents, nutritional advice as well as health education through the schools and local press. The fund selected four, county-wide demonstration sites for the program including two projects in small cities (Athens, Georgia and Fargo, North Dakota) and two in rural areas (Rutherford County, Tennessee and Marion County, Oregon).⁹

The four examples of foundation grant-making in rural and small town America nearly a century ago are, like much of private philanthropy, idiosyncratic. The common elements among the grants were the awareness that a substantial part of the national population was living in small towns and rural areas and that there

were opportunities for productive grant-making in such areas. Although the rural grants were relatively early in the history of private foundations, they illustrate two central themes in foundation grant-making that survive to this day. The first is the principle that the foundation grant is not merely ameliorative, but is intended to achieve lasting improvement in the conditions it is addressing. The second is that private funds should be used to test new ideas with the assumption that government or local donors will take over the financial and organizational responsibility to sustain the innovation (agricultural extension agents; public libraries; rural schools; health clinics) if it is successful.

Shifting perceptions of rural

It is easy to be nostalgic about an imaginary Golden Age of rural philanthropy. At the same time, it is important to remember that foundations, including particularly the largest and most respected of their time, were able to overcome obstacles of distance, poor transportation and unfamiliarity to identify promising projects in rural areas. What has changed is that rural America is no longer the norm. As a country, we are no longer one generation removed from the farm or small town. The gravitational pull of the city drained rural areas of population and changed the national perception. There is no longer a single perception of rural and, as a consequence, no common view about what sort of grants foundations should make in rural areas.

In earlier days, there was a broad awareness that conditions in rural areas lagged behind those in urban areas and that private philanthropic investment was both necessary and effective. Rural areas were seen as essential to the nation as a source of food, raw materials and industrial labor. By the 1930s, they were, as the photographers of the Farm Security Administration powerfully documented, working people struggling against enormous obstacles, abandoning farms and uprooting their families. Thirty years later, rural areas were among the places (and people) left behind, what Michael Harrington memorably called "The Other America."¹⁰ The unifying

⁷ Raymond B. Fosdick, *Adventure in Giving* (New York, Harper & Row, 1962), pp. 43-55, 67.

⁸ Waldemar A. Nielsen, *The Golden Donors* (New York, E. P. Dutton, 1985), pp. 337-340. The Rosenwald Fund was also an early supporter of the Highlander Center in Tennessee and its grassroots leadership and organizing programs.

⁹ Elizabeth Toon, "Selling the Public on Public Health: The Commonwealth and Milbank Health Demonstrations and the Meaning of Community Health Education", in Ellen Condliffe Lagemann, *Philanthropic Foundations, New Scholarship, New Possibilities* (Bloomington, Indiana University Press, 1999), pp. 120-121.

¹⁰ Harrington's book, *The Other America* was published in 1962, coinciding with the planning of the Economic Opportunity Act of 1964, the so-called War on Poverty.

narrative was that poverty existed in urban and rural places and could be reduced through a combination of job training, economic development, and community action programs. Much of the education, social service and development

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infrastructure currently serving rural America (Community Development Corporations; Community Health Centers; Head Start; Housing Development Corporations; Legal Services) has

its origins in these programs of the 1960s.

In the years since the War on Poverty, rural America has shrunk as a proportion of the national population and evolved in the national perception. Once considered a place of small farms, vibrant towns and common sense values, the contemporary image of rural America defies easy categorization. There are rural areas of population growth and others of population loss. In some rural areas, the population is aging, while in others, it is becoming younger. There are rural areas of prosperity and areas of persistent poverty. In some rural areas, population diversity is increasing while in others, communities are becoming less diverse. Apart from low population density, there is no encompassing vision of all rural places. Conceptually, rural is simply that which is not yet urban.

Over the last half-century, the public has learned, sometimes painfully, what urban means and what types of interventions and investments are necessary to address “urban problems.” These lessons have been imprinted in the national consciousness through the images of the Civil Rights Movement, urban riots and Great Society programs. There is no recent counterpart for rural areas. Rural America is largely invisible to the media. The rural images that survive are more likely to reflect Ken Burns’ tribute to wilderness than the desperate poverty of tribal lands, the depopulation of the Great Plains or the conflicting needs of year-round residents and newcomers in recreation and retirement areas. Without some unifying vision of rural places, it becomes difficult to convey their needs and what can be done. Rather than resulting in programming specific to local needs, the mul-

tiplicity of rural places seems to contribute to a policy and program paralysis in which funders are reluctant to invest in rural places because they are not confident about how to proceed. For foundations, rural problems appear too large to address effectively or too local to be worthy of attention.

Obstacles to foundation granting in rural America

Organizations serving rural areas are disadvantaged in the competition for foundation grants in numerous ways. Some of the disadvantages are simply the product of geography and some are based in foundation assumptions about rural organizations. The most obvious disadvantages are geographical. Most rural organizations are remote from the major cities where most foundations, even those whose wealth was rural in origin (mining, timber, railroads, agriculture), are located and hire their staff. The geographical disadvantages increase the cost of foundation fundraising, but also reduce the opportunity to develop relationships with foundations apart from grant-seeking encounters.

One observer summarized the geographical disadvantage — rural organizations, “because of isolation from major urban centers, are traditionally excluded from the philanthropic conversation.”¹¹ The philanthropic conversations take place in the informal networks, which bring ideas, organizations and emerging leaders to the foundation’s attention. These networks, composed of past grantees, consultants and others who are knowledgeable about the field in which the foundation operates, can legitimize new ideas or cast doubt on unknown organizations and leaders. Such networks mitigate the isolation of many foundations, but they also reinforce the obstacles encountered by rural organizations outside the networks and not known to the foundation.

Perceptions of government dependence

Foundations have a dual nature. They are public in purpose and private in operations. They operate within a legal framework determined by

11 Rachael Swierzewski, *Rural Philanthropy: Building Dialogue from Within* (Washington, D.C., National Committee for Responsive Philanthropy, revised edition, 2007), p. 1.

government, but they are private in their origin, governance and decision-making. The private dimensions of foundations and the vastly greater resources available to government result in an

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uneasy relationship between foundations and government in which foundations strive to maintain their independence. Foundation independence of government can take many forms, but it is at base, an issue of who is setting the priorities for foundations. Foundations aspire to be what one prominent foundation

officer characterized as “society’s passing gear.”¹² In this role, foundations set their own agenda and do not duplicate government. They may operate outside government (monitoring government or supporting investigative journalism); or seek to influence government by testing new ideas or operating in areas where no public consensus has formed (the arts, reproductive rights and exploration of extraterrestrial life). In their time, Carnegie’s libraries and the 4-H clubs of the General Education Board were examples of pre-consensus grant-making.

The deeply-held assumptions that foundations are independent of government and that foundation funds should not duplicate government create challenges for organizations in rural America where social service and community development agencies are often the product of government programs, dependent on government grants and subject to government program restrictions. The very success of rural organizations in obtaining government grants makes them less attractive to those foundations seeking organizations driven by independent initiative. In other words, the past neglect of rural organizations by private philanthropy contributes to future neglect.

The foundation perception that rural nonprofits are “government-dependent” is not a trivial issue.

¹² Paul Ylvisaker (1921-1992) was on the staff of the Ford Foundation where he was responsible for the pilot projects that later became the federal community action and model cities programs. He later served as dean of the Graduate School of Education at Harvard and on several foundation boards.

It often means that the most pressing needs of rural nonprofit organizations are to replace lost government funds or to compensate for the inadequacy or inflexibility of government grants. In either case, the foundation is being asked to supplement government rather than change government through new ideas and approaches. Government dependence also can stifle creativity in nonprofit organizations by shifting attention to grant and contract compliance and away from innovation. In extreme cases, government grants restrict the activities of their grantees. For example, federal grants to legal service agencies prohibit certain activities even when those activities are carried out entirely with funds from other sources.¹³

The perceived government-dependence among rural nonprofit organizations also diminishes the potential they offer for sustaining pilot projects after they have demonstrated their effectiveness. The governance role in organizations established to attract federal funds is to establish the legitimacy of the organization through a governing board that is broadly representative of the community it serves. Such a board is intended to oversee the expenditure of federal funds and the compliance with grant requirements. The governance function in an independent nonprofit organization, in contrast, is likely to be somewhat less concerned about representation and more likely to be engaged in the private fundraising necessary to sustain the organization and its mission.

Demonstration potential of rural innovations

Most foundation grants are intended to strengthen particular programs or institutions. They provide basic support to organizations or support specific programs or activities. Such grants are often the result of long-standing relationships between the foundation and the institution or foundation interest in the program area. Since rural development is a stated program area for relatively few foundations, the grants that are potentially available to rural organizations are likely to be within program

¹³ The Forum of Regional Grantmakers is an organization of 33 state, regional, metropolitan and multi-state associations of foundations, corporate giving programs and other grant-makers.

areas such as health, job training or economic development. To be competitive, proposals for such grants must demonstrate competence in the program area and satisfy some measure

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of impact beyond the project itself. Often the wider impact is that the project proposes to test new ideas or program approaches, which if effective, can be applied more broadly.

Rural projects are at a disadvantage in the innovation competition. Projects that may be innovative in a rural setting may seem conventional or irrelevant to a grant-maker in an urban area. Even if the proposed project is innovative, the grant-maker is likely to be concerned whether testing the idea in a rural area, however effective it may be, will have any value as a pilot project. The success of the innovation in a rural location may be discounted because of the setting and offer little credibility to decision makers in other settings. Rural organizations are often smaller than their urban counterparts. Because they are smaller, the rural organizations are likely to have staff with multiple responsibilities and less likely to have research and evaluation specialists. These factors contribute, perhaps unfairly, to the foundation assumptions about the demonstration potential of rural projects.

The philanthropic response

Over the past decade, the foundation field has responded, in an impressive variety of ways, to the problem of rural neglect. Concerned foundations have created networks of rural grant-makers, established a collaborative funding mechanism and mobilized the regional associations of foundations and the national Council on Foundations to pay more attention to rural areas. The National Committee for Responsive Philanthropy has published two reports on the neglect of rural areas and the Forum of Regional Grantmakers has issued reports on *The Power of Rural Philanthropy* (2005) and *Rural Fund Development* (2007) with examples of grassroots philan-

thropy in small towns and rural areas and detailed guidance about how to build endowments to serve such areas.¹⁴

Foundations are long accustomed to the charge that they have neglected some group, region or issue. When challenged about such allegations, some foundations point out that they are required by their donor to concentrate their grant-making on a particular geographical or program area. Others will remind their critics that they have limited resources and cannot respond to every need. Older foundation staff will recite the ineffectiveness of “scatteration” and theorists will point out that foundations, unlike government, are not under any obligation to distribute their resources equitably. Most foundations, particularly those without paid staff, will be unaware of the criticism or dismiss it as simply the inevitable consequence of unlimited needs and finite resources.

At the same time foundations are fending off external criticism or ignoring it, those foundations concerned about the particular issue organize within the field to increase awareness among their colleagues and ultimately to increase grant-making in the neglected area. During the past 40 years, foundations have organized groups within the foundation field regarding the neglect of:

- Population groups (African Americans, Native Americans, Hispanics, women and girls, immigrants and refugees)
- Program areas (aging, health, the arts, the environment, peace and security, children, youth and families, homelessness, international human rights, civic participation)
- Types of grants such as Program Related Investments and grassroots funding

Called affinity groups, these networks, composed of foundation program staff, are the

¹⁴ The Forum of Regional Grantmakers is an organization of 33 state, regional, metropolitan and multi-state associations of foundations, corporate giving programs and other grant-makers.

primary method foundations use to promote emerging and neglected issues within the field. Some of the affinity groups are informal, but at least 35 have full-time staff,

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provide communication among foundations with common interests (sharing information about best practices and policy developments), create opportunities for collaboration among foundations and promote their concerns within the wider foundation field.¹⁵

Affinity groups enable smaller foundations to learn from the experience of larger foundations with their specialized staff and broader scope. They also provide an opportunity for smaller and regional foundations to make national foundations aware of local issues and outstanding organizations. Apart from the enhanced communication among foundations, affinity groups sometimes form funding collaboratives, in which foundations with shared interests pool their funds to support joint projects. To increase understanding of the issue or population among other foundations, affinity groups compete to secure a place in the program of the Council on Foundations Annual Conference. The annual conference provides a platform for affinity groups to showcase prominent organizations and leaders to an audience of trustees and staff from foundations and corporate-giving programs throughout the nation.

The campaign to increase philanthropy in rural areas began in 1998 when a small group of foundations met informally at the Council on Foundations Annual Conference to discuss their concerns about the neglect of rural areas. They formed the Rural Funders Working Group and the following year they affli-

ated with the Neighborhood Funders Group, a large and well-established affinity group composed of foundations concerned about community development, housing, economic development and community organizing. The Working Group arranged field trips for foundations to visit rural communities and organized presentations at the Council on Foundations Annual Conference. Twelve of the foundations involved in the Working Group contributed to the creation of a pool of funds to be granted in rural areas. Between 2001 and 2006, the National Rural Funders Collaborative distributed more than \$3 million in grants to 17 rural organizations and networks. In 2007, the collaborative committed an additional \$1 million a year for five regional initiatives using multiple economic development and asset-building strategies in rural areas.

The Working Group and Funders Collaborative increased the exchange of information among foundations engaged in rural grant-making and successfully persuaded the regional associations of grant-makers and the national Council on Foundations to increase their attention to rural areas. The Council on Foundations has included sessions on rural philanthropy in several of its annual conferences. (The 2010 annual conference featured a panel discussing "Rural Philanthropy and Rural America.") In 2006, the Council on Foundations invited Sen. Max Baucus of Montana to address its annual conference. The council formed an advisory committee on philanthropy and rural America and, in 2007, co-sponsored a conference on "Philanthropy and Rural America" in Missoula, Montana.¹⁶ The council also sponsored a similar conference in Arkansas in 2009. The Nebraska Community Foundation, a state-wide foundation with 200 affiliated funds in 71 counties, has sponsored two conferences showcasing its success-building charitable endowments in small towns and rural areas.

Addressing the rural funding deficit

Networks, conferences and publications have raised the visibility of rural issues within

¹⁶ Senator Baucus is chairman of the Senate Finance Committee which has jurisdiction over foundations and federal tax law.

¹⁵ In addition to the national and regional associations of foundations and organized affinity groups, researchers have identified 250 informal networks formed by groups of grant-makers. Lucy Bernholz, Kendall Guthrie, Kaitlin McGraw, *Philanthropic Connections: Mapping the Landscape of U.S. Funder Networks* (Washington, D.C., Forum of Regional Grantmakers, 2003), p. 6.

the field of philanthropy, but have had little impact on most foundations' funding decisions. The National Committee on Responsive Philanthropy, the Council on Foundations,

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the Forum of Regional Grantmakers and numerous individual foundations have contributed to the dialogue within the field, but have made little, short-term progress in reducing the rural funding deficit. The foundations concerned about rural America a

decade ago have only modestly expanded their ranks. Most foundations remain as unreceptive to rural organizations and rural issues as they were a decade ago. While it is essential that rural advocacy continue within the field of philanthropy, the next phase of work will require the leadership of rural organizations to address, indirectly and incrementally, the obstacles to foundation support of rural organizations. This will entail deliberate and long-term commitments to building networks among rural organizations and the intermediary organizations that serve them while challenging misperceptions, stereotypes and other obstacles to rural philanthropy.